

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT TACOMA**

WILLIAM T. WHITMAN, individually and on
behalf of all others similarly situated,

Plaintiff,

v.

STATE FARM LIFE INSURANCE COMPANY,
an Illinois corporation

Defendant.

No. 3:19-cv-06025-BJR

DECLARATION OF TIMOTHY CRABTREE

1 I, Timothy Crabtree, have personal knowledge of the information below and declare as follows:

2 1. I am an independent contractor agent for State Farm Mutual Automobile Insurance
3 Company ("State Farm"), the parent of State Farm Life Insurance Company ("State Farm Life") in
4 Washington.

5 2. I am not an employee of State Farm.

6 3. As an independent contractor agent for State Farm, my role is to inform potential
7 policyholders about insurance. This includes the risks that make it necessary, how they can protect
8 themselves, their families, and their property, and how to help individuals achieve their objectives.
9 This also includes State Farm's numerous kinds of insurance to help people manage the risks of
10 everyday life and recover from unexpected life events.

11 4. I am licensed to market, solicit, and service insurance in Washington. I have worked as
12 an independent contractor agent for State Farm since November 1, 1998.

13 5. I have a bachelor's degree from Western Washington University with a major in
14 demographics.

15 6. I understand that this lawsuit involves claims against State Farm Life relating to the
16 Universal Life insurance policy issued on Form 94030, which was sold in Washington between 1994
17 and 2004 ("the Policy," "Policies," or "Universal Life").

18 7. I purchased the Policy for myself around the year 2000, and I have purchased universal
19 life policies for my wife and my children as well. When I bought the Policy, I understood that the cost
20 of insurance rates that would apply to me under the Policy took into account State Farm Life's profits
21 and expenses because I knew that State Farm Life had to recoup its costs of doing business and remain
22 profitable and financially strong in order to pay out benefits and fulfill any other obligations required
23 of it as an insurer.

24 8. I purchased the Policy for three primary reasons. First and foremost was to take care
25 of my loved ones if something happened to me. Second, I purchased the Policy because it had a lot
26 of living benefits, such as the ability to take loans against the account value. Finally, I purchased the
27 Policy because it will still be in force later in my life.

1 9. I am the assigned State Farm agent for the Plaintiff in this matter, Mr. William T.
2 Whitman. Although I was not the agent involved in the marketing of Mr. Whitman's Universal Life
3 policy in 2001, my agency has serviced his policy since January 2010.

4 10. I have been an independent contractor agent for State Farm in Bellevue, Washington
5 for over 22 years. From 1998 to 2004 when State Farm Life sold the Universal Life Policy in
6 Washington, I was involved as the agent in 35 applications for the Policy. I am the assigned agent for
7 20 Universal Life policyholders that are currently in force and 1 Universal Life policyholder who
8 passed away and whose beneficiaries received the death benefit under the Policy. I was also involved
9 with a number of other Universal Life Policies that are no longer in force for other reasons, such as a
10 cash surrender or a lapse for failure to pay premiums.

11 **My Individualized Sales Method**

12 11. In my experience, the best way to communicate with potential policyholders is through
13 face-to-face meetings, which facilitate a needs-based conversation and allows me to provide
14 information about State Farm Life's products so potential policyholders can determine if a particular
15 policy meets their financial needs and goals and reasons for wanting life insurance in the first place.

16 12. When marketing the Policy during the relevant time period, my focus in conversations
17 with potential policyholders about life insurance products varied from individual to individual because
18 potential policyholders had different needs, goals, and motivations. They also had different budgets,
19 financial sophistication, knowledge of life insurance, age, family situations (like whether or not they
20 were married or divorced, had children or no children), economic conditions, and education levels,
21 among many other differences.

22 13. During this time period, these differences affected policyholders' approach to the
23 Policy and our discussions about the Policy. For example, I spoke with several financially
24 sophisticated business owners with large budgets who were motivated to use the Policy as a retirement
25 vehicle and we discussed ways to maximize their contributions and limit taxable income. I recall
26 younger potential policyholders who asked me about the guaranteed insurability option because they
27 were motivated to lock in a favorable rate class if they wanted to later add additional insurance without

1 having to go through underwriting. And I recall a number of other policyholders who asked about
2 taking loans against the Policy's account value as a potential low-interest loan.

3 14. If the needs of a potential policyholder led us to discuss Universal Life during the
4 relevant time period, it was my custom and practice to show the person a diagram of a pot. I would
5 draw a pot, with a line showing money going in when premiums were paid, increasing the amount in
6 the pot. I also drew two arrows coming out of the pot, showing money that State Farm Life deducted
7 from account value for the cost of insurance, the monthly expense charge, and the monthly charges
8 for riders, if any.

9 15. During the relevant time period, it was my practice to discuss the underwriting process
10 with potential policyholders and how their individual health characteristics affected their cost of
11 insurance rate. I explained that underwriting was the process through which State Farm Life evaluates
12 the health and risk characteristics of each insured before assigning a permanent rate class. I did this
13 because I sought to manage the expectations of potential policyholders about the life insurance
14 products that may be available to them and I would not want a potential policyholder with a chronic
15 health issue that would disqualify them from coverage to go through the application process if it is
16 evident at the outset they would not qualify for coverage. I explained that the individual characteristics
17 of the person being insured, such as age, sex, and health conditions, would determine their rate class
18 and the cost of insurance rate applied to them under the terms of the Policy. I also explained that
19 tobacco use would result in higher costs of insurance. I recall several potential policyholders who told
20 me they were not tobacco users for their application, but the underwriting process revealed tobacco
21 use, causing them to be offered a Policy in a more expensive rate class.

22 16. It was my custom during this time period to use illustrations to show how the pot of
23 money would grow in early years while the cost of insurance was lower, but that it could start to
24 decline in later years. The illustration included information about the insured person's age, sex, and
25 likely rate class. I recall explaining how the cost of insurance increasing due to age caused the account
26 value to decrease in later years. I sometimes highlighted how the account value would increase, then
27 plateau, then start to decrease in later years. The illustrations were important because each individual

1 Policy was different, and the point at which account value started to decline differed depending on
 2 Policyholder needs, motivations, budgets, and options selected.

3 **Variations Among People Buying Universal Life Policies**

4 17. I have marketed insurance products, including Universal Life, to many different types
 5 of people during the relevant time period.

6 18. During the relevant time period, the individuals that I marketed the Policy to varied
 7 greatly, and included people of different demographics, who had different incomes, different
 8 motivations for buying the Policy, different objectives, and different levels of familiarity with life
 9 insurance products. Because of the differences among potential policyholders, the discussions I had
 10 about the Policy, including my explanation of how it worked, the potential performance of the product
 11 over time, any charges or deductions payable, and benefits of the Policy, varied across those different
 12 potential policyholders.

13 19. For example, I recall speaking with potential policyholders in their 20s and discussing
 14 the benefits of locking in the coverage needed with a term policy and then discussing converting all
 15 or a portion of existing term coverage to Universal Life as their budgets increased. We would discuss
 16 the credit that State Farm Life offered for conversions from term to Universal Life completed within
 17 the first five years of the term policy. I also recall speaking to potential policyholders about covering
 18 their temporary higher need for coverage with a term policy and complementing their longer
 19 permanent needs with Universal Life. We would discuss how for the years that children still lived at
 20 home and mortgages were higher, the insurance needs would be greater but would eventually decrease
 21 as children moved out and the mortgage loan decreased. I also recall policyholders who sought to
 22 structure their premium payments higher in earlier years and have lower premium payments in later
 23 years, sometimes around retirement.

24 20. Mr. Whitman is an example of how each policyholder is different. Although I was not
 25 the agent who assisted Mr. Whitman when he applied for his Policy, I am familiar with his history
 26 because I am now his assigned agent. Mr. Whitman applied for his Policy when he was 20 years old
 27 and his policy was issued at age 20. He chose \$500,000 as his initial basic coverage amount, and

1 selected Death Benefit Option 1. After completing his application, answering questions on the
 2 Medical Examiner's Report and going through the State Farm Life underwriting process, State Farm
 3 Life assigned him Standard Rate Class – Male Non-Tobacco.

4 21. To review information about the policyholders for the Universal Life Policies for whom
 5 I am the assigned agent ("Policyholders"), I had one of the team members from my agency search our
 6 policy database for Universal Life Policies issued between the beginning of 1994 and the end of 2004.
 7 Attached as Exhibit A is a chart summarizing these business records: 21 Universal Life Policies issued
 8 on Form 94030 between November 17, 1996, and May 4, 2004, owned by Policyholders for whom I
 9 am the assigned agent. The 21 Policies described in Exhibit A consist of 20 Universal Life Policies
 10 that are currently in force and 1 Universal Life Policy that terminated with a claim on the death benefit.
 11 My agency no longer has direct access to data concerning other Universal Policies that I was associated
 12 with, such as those that terminated due to cash surrenders or failures to pay premiums.

13 22. Of the 21 Universal Life Policyholders for whom I am the assigned agent,
 14 Mr. Whitman is the only person who was 20 when the policy was issued to him. For these
 15 Policyholders, the age of the insured when the Policy was issued range from 0 to 61. The average age
 16 of the insureds when these Policies were issued is just under 28.

17 23. The average size of the death benefit for these Policyholders is roughly \$103,000,
 18 ranging from as little as \$25,000 up to Mr. Whitman's current death benefit of \$474,197, with roughly
 19 half of people obtaining coverage in the range of \$50,000. Mr. Whitman is the only person out of 21
 20 who had a death benefit over \$200,000, and he was by far the youngest person – at just 20 years old –
 21 to apply for such a high death benefit.

22 24. Among the Policyholders, Mr. Whitman was also in the minority of people who
 23 selected Death Benefit Option 1: 6 Policyholders had Option 1, and 15 had Option 2. In Death Benefit
 24 Option 1 policies, the death benefit amount is level with the basic amount of the Policy regardless of
 25 the size of the account value. As the account value goes up for Death Benefit Option 1 Policyholders,
 26 the amount of the cost of insurance deduction can go down even when the cost of insurance rate
 27 increases annually with the age of the Insured. In Death Benefit Option 2 policies, the death benefit

1 amount rises and falls with the account value. As a consequence, the cost of insurance charges will
 2 increase each year for Policyholders with the advancing age of the insureds, regardless of the amount
 3 of the account value. I explained these options to the potential State Farm Life customers I spoke
 4 with, and most chose Death Benefit Option 2.

5 25. Mr. Whitman has kept his Policy in force, and it remains in force today over 20 years
 6 after it was issued. But some Policyholders terminated their Policies. As mentioned above, some
 7 Policies I was associated with were terminated for a cash surrender, some terminated by lapse due to
 8 policyholders choosing not to fund the account value sufficiently (including some who did not pay at
 9 all), and 1 policy terminated with a claim on the death benefit.

10 26. Policyholders during the relevant time period had a wide variety of concerns when
 11 purchasing life insurance, and so applied for different rider benefits, or optional add-ons, to their
 12 policies for an added charge. For example, 2 Policyholders pay for Accidental Death riders, where
 13 they receive an added pay-out in the event the insured dies in an accident. 6 Policyholders obtained
 14 the Guaranteed Insurability Rider, which meant that they could increase their death benefit without
 15 needing to go through the underwriting process again (3 Policyholders took advantage of this to
 16 increase their death benefit). 12 Policyholders opted for the Waiver of Monthly Deduction rider,
 17 which waived all monthly deductions in the event the insured became disabled. Unlike these
 18 Policyholders who received additional benefit coverages with their Policy, Mr. Whitman had no riders
 19 on his Policy.

20 27. Many Policyholders determined that they needed additional coverage from their
 21 Universal Life policies and decided to increase the amount of their death benefit. Our goal as an
 22 agency was to speak with Policyholders at least every 5 years to review their Policies as their lives,
 23 circumstances, and motivations changed. Those policyholders who purchase the Guaranteed
 24 Insurability Option rider are entitled to apply for increases in coverage at set age intervals without
 25 undergoing additional underwriting. Other policyholders who seek to add additional coverage do
 26 undergo additional underwriting. Among the Policyholders for whom I am the assigned agent, 8
 27 increased their death benefits, some more than once – resulting in 16 death benefit increases across all

1 of the 21 Policyholders. One of the Policyholders increased their death benefit in 2007 but then
 2 terminated the increase in 2008, all while keeping the original Policy in force.

3 28. In my conversations with potential policyholders during the relevant time, I expressed
 4 that their personal health characteristics affected their cost of insurance. For example, State Farm Life
 5 has substandard “table ratings” for insureds whose medical examination or other underwriting
 6 information reveals greater health risks. Among the policies that I service, 3 Policyholders were “table
 7 rated” meaning that they were charged a cost of insurance higher than the standard rate because of
 8 their individual health characteristics. State Farm Life’s overall table ratings go up to table 20, but the
 9 Policyholders for whom I am the assigned agent range from 3 through 6. The higher the table rating,
 10 the higher the cost of insurance. State Farm Life also assigns rate classes based on tobacco use and
 11 has entirely separate rate classes for insureds who use tobacco. For all adult insureds, the cost of
 12 insurance rates in the tobacco rate class are higher than the cost of insurance rates in the non-tobacco
 13 rate class.

14 29. Mr. Whitman is also somewhat unique in that his decisions about how to contribute
 15 premiums to his Policy over the last twenty years has built equity into his Universal Life Policy by
 16 receiving more in interest from State Farm Life than has been deducted from the Policy’s account
 17 value. Over the duration of his Policy, the interest that State Farm Life has credited to the account
 18 value for Mr. Whitman’s Policy (over \$14,000) exceeds the total cost of insurance and monthly
 19 expense deductions taken from the account value for Mr. Whitman’s Policy (roughly \$12,000).
 20 Among the 21 Policyholders for whom I am the assigned agent, this has happened only 4 other times.

21 30. Another way that Mr. Whitman stands apart from other Policyholders is his use of his
 22 account. He has withdrawn over \$25,000 from the Policy’s account value over the life of the Policy,
 23 resulting in reductions to his death benefit amount. Among the Policyholders for whom I am the
 24 assigned agent, only 2 other Policyholders have taken withdrawals, and nowhere close to the amount
 25 of Mr. Whitman’s \$25,000 withdrawal: the closest amount being \$3,078, and the other just \$800.

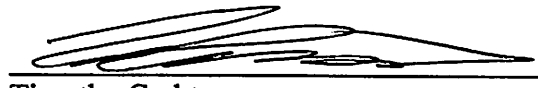
26 31. Mr. Whitman also took out several loans against the account value of his Policy.
 27 Among the Policies for whom I am the assigned agent, only 3 other Policyholders presently have loans

1 against the account value associated with their Policy. Mr. Whitman is also unique in paying back his
2 loan, as most Policyholders choose not to repay loans.

3 32. In sum, there is considerable diversity in the needs, budgets, motivations, and purchase
4 experiences of the Form 94030 Policyholders for whom I am the assigned agent. Policyholders'
5 different underwriting and rate class assignments, widely diverse use of riders, different death benefit
6 selections, varied ages at issuance of the Policies, and use of the Policies through their term reflect the
7 variation in Policyholders' understanding of the Policy.

8 33. I declare under the penalty of perjury under the laws of the United States of America
9 that the foregoing is true and correct.

10 Executed this 26th of March, 2021 in Chandler, Arizona.

11
12 
13 Timothy Crabtree